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Reduce client regrets on retirement savings with these tips
By Rob Burgess
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Most Americans wish they had started saving for retirement sooner and that they hadn't withdrawn money early from retirement accounts, according to a recent study.

The report, conducted by Censuswide and commissioned by Human Interest, also indicated employers can help employees avoid retirement planning decisions they'll later regret. The research was conducted with 1,041 full-time, non-self-employed American workers between July 8 and 10.

The study found that 41% of Americans expect to retire later than planned due to recent financial circumstances and 83% plan to continue working after retirement.

Starting too late was a common problem, as 68% of respondents said they wish they would have started saving for retirement sooner. Notably, 19% said they didn't start saving until they were age 41 or older.

Additionally, 37% of respondents reported having removed money from their retirement accounts. Seventeen percent of respondents said they had taken a loan against their 401(k), and 23% said they had withdrawn money early before retirement. (According to the IRS, individuals can start withdrawing from the IRS at age 59.5 without incurring an early financial penalty.)

According to the survey, 48% of those who took out a loan against their 401(k) and 60% who withdrew money said they regretted the choice.

YOLO mindset when it comes to retirement saving
Because he works with many young professionals and families, Eddy Jurgielewicz, partner and financial planner at Upbeat Wealth in New Orleans, said the idea of "retirement" is so distant and foreign to many of his clients that it's difficult for them to take specific action to save for it.

"When it's unclear what the next 12 months will bring, the thought of saving for something 30 years away can feel a little far-fetched," he said. "Or it's easy for people to tell themselves that they'll just catch up later."

Jurgielewicz said for those who are early on in their careers and financial

journeys, there may be several competing priorities.

"When there's the pull to pay down student loans, build up an emergency fund, and take care of a variety of other basic needs, it becomes easier for some to put retirement savings on the back burner," he said.

Carman Kubanda, a financial planner with Innovative Wealth Building in California, Maryland, said clients are often not disciplined enough to put away for retirement at the level they should be for their stated goals.

"Practically, this means they are prioritizing current wants over future needs," said Kubanda. "One issue I've seen come up multiple times is paying for their kid's college before securing their own retirement."

Uziel Gomez, the founder of Primeros Financial in Los Angeles, works primarily with adult Gen Z clients, who often approach their finances with a "live for today" mindset, driven by the belief that tomorrow isn't guaranteed.

"This can sometimes lead to a reluctance to save for the future, as they prioritize enjoying their money in the present and seek immediate gratification," he said.

Gomez also works with first-generation Americans "for whom retirement vehicles are a new concept."

"They may struggle with the idea of committing their money in retirement accounts, as it can feel like their funds are locked away and inaccessible," he said.

Better late than never

Anna Sergunina, president and CEO at MainStreet Financial Planning in Los Gatos, California, said a common challenge many of her clients face is the mindset of "I'll start saving tomorrow."

"Behavioral biases, such as present bias — where immediate needs take precedence over future ones — can cause people to delay saving," Sergunina said. "This delay can result in inadequate retirement funds, as many believe they'll be able to 'catch up' later, which isn't always realistic."

Even if they are over 40, individuals could still have another 20 to 25 years of employment, said Marc Fowler, director of retirement education at Human Interest. Once they are 50, they can defer even more in the form of catch-up contributions. The IRS allows annual catch-up contributions up to $7,500 in 2024.

"This means that if they start putting away whatever they can, there is a long period for the power of compound interest in a tax-advantaged environment to take hold," he said. "The key is to start."

Investing too late was the most common regret among survey respondents at 26%, followed by investing too small a percentage or amount of money (14%) and not having enough knowledge to make informed decisions (13%).

Andrew J. Tapparo, founder of Tapparo Capital Management in Topsfield, Maryland said for younger clients it's easy to prioritize current lifestyle and spending over saving for a retirement that may be decades away.

"As a financial advisor, it's my job to help clients visualize their future and understand the power of starting to save and invest early," he said. "Many people have a vague notion that they need to save for retirement but haven't mapped out how much they'll need and the steps it takes to get there. Sitting down with a financial professional to create a personalized retirement income plan can be extremely valuable in getting someone on the right track."

Financial education is key

According to the survey, when employers offer education around general financial wellness, 91% of employees enroll in their employer-sponsored plan.

"A common roadblock can simply be not knowing," said Jurgielewicz. "Whether it's not being familiar with the right vehicles and how to use them, or not being aware of the benefit that investing early can deliver for long-term compounding. Simply understanding why it's important to get started early and how to take effective action go a very long way in empowering people to get going."

When no education is offered by an employer, only 76% of employees are enrolled.

"While it may not be surprising, it is heartbreaking that there is a proportion of people who say they do not have enough knowledge to make an informed decision," said Fowler. "The feeling of not knowing how to make an essential choice for yourself and your family can be overwhelming and only goes to underscore the value of quality and trusted advisors."

Employees often see withdrawing money from their retirement accounts as their easiest option, but whether it is actually their "best" option will depend on their unique circumstances, he said.

"Education and knowledge are critical and, sadly, often lacking," he said. "This is where having a trusted advisor or a quality source of information becomes invaluable. There may well be other avenues for financing that could be more advantageous, and only someone with knowledge of the individual situation could provide the 'best' course to follow."

Employers should take the lead on retirement planning

John R. Power, a CFP with Power Plans in Walpole, Massachusetts, said he has found that the biggest incentive for clients is at least receiving the maximum employer match.

"The best way an employer can encourage is first to be a bit more generous in matching and then make it automatic for new employees with an opt-out provision," he said. "If they add decent financial planning services, perhaps from an online resource, all the better. Most folks do not know how to plan for retirement."

Melissa A. Caro, founder of the platform My Retirement Network, a digital media company, said offering automatic enrollment in retirement plans, with an opt-out option, can significantly increase participation rates.

"It is something that people often forget to opt out of and in the long run it will most likely be to their benefit," she said. "Employers can also encourage ongoing participation by matching employee contributions, ideally dollar-for-dollar up to a certain percentage."

Employers can also play a big role in helping their employees by providing straightforward education on the tools available and why it is so powerful to begin saving early, said Jurgielewicz. If people understand how a 401(k) or other employer plans work, including what such accounts can do for their retirement and how to choose appropriate investments inside the plans, they will be more likely to take meaningful action.

"As employee benefits continue to become more robust and practical, I think there's a lot of opportunity for employers to provide valuable resources to their workforce on the financial planning side of things," he said. "This could look like covering the cost of a budgeting or cash flow management app, which would help with ensuring needs are covered while also putting an appropriate amount away for retirement."

Knowledge is power

Matthew Nelson, owner of Focus Financial in Minneapolis, said when it comes to saving enough, "I often find people just don't know where to start." As an advisor to clients working in large publicly traded companies in the medical technology industry, he said he finds the benefits plans are extremely robust, to the point they can be confusing to the employees using them.

"I understand that the Human Resource departments need to be careful about making recommendations, but if they could provide insight on how to prioritize available dollars to the various savings plans and insurance offerings it would simplify the decisions needed," he said.

Dan G. Bennett, the founder of Lake Water Advisory in Skaneateles, New York, said offering financial education and workshops around budgeting, investing, student loan options and retirement should be a priority for employers, along with auto-enrollment into a 401(k) plan with matching contributions.

"The same procrastination setting up their 401(k) contributions is the same

procrastination that prevents them from stopping them," he said.

Additionally, employers could help to cover the cost of their employees hiring a financial planner, said Jurgielewicz. Some employers already offer in-house advisors to meet with individuals and specifically help them navigate their 401(k)s.

"As someone who advocates for free financial literacy, having your employer offer financial education and counseling can help employees make informed decisions about retirement planning and investing,'' said Caro.

Tapparo said employers need to realize that financially secure employees are happier and more productive.

"By prioritizing retirement readiness and providing the needed education, employers can help remove obstacles to successful retirement outcomes for their workforce," he said. "However, employees need to do their part too by taking full advantage of these opportunities and being diligent savers. Since employer pension plans are now as rare as free Taylor Swift concert tickets, it is the employee's responsibility to save for their own retirement."